

DENMARK TECHNICAL COLLEGE

DENMARK, SOUTH CAROLINA

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

Year Ended June 30, 2013

DENMARK TECHNICAL COLLEGE
Denmark, South Carolina
Organizational Data
Year Ended June 30, 2013

AREA COMMISSION MEMBERS AND OFFICERS

Mr. Dwayne Ennis, Chairperson	Allendale County
Mr. James Hayes	Barnwell County
Mrs. Peggy Faust	Bamberg County
Mr. Calvin Wright, Secretary	At Large
Mr. Leon Harden, Area Commissioner	Allendale County
Mr. Thomas Williams, Vice Chairperson	Barnwell County

Ms. Gwendolyn Bright	At Large
Representative of State Board	Ex-Officio
for Technical and Comprehensive Education	

Key Administrative Staff

Dr. Joann Boyd-Scotland	President
Mr. Clarence F. Bonnette	Vice President for Business Affairs
Dr. Ashok Kabisatpathy	Vice President for Planning, Research and Development
Mrs. Carolyn McGay	Vice President for Academic Affairs
Mrs. Avis Gathers	Executive Dean of Student Services
	Dean of Enrollment Management
Mr. Stephen Mason	Dean of Continuing Education
Mr. Derrick Steward	Director of Information Resource Management

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA**

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INDEPENDENT AUDITOR'S REPORT

To the Area Commission
Denmark Technical College
Denmark, South Carolina

I have audited the accompanying financial statements of the business-type activities, of Denmark Technical College, as of and for the year ended June 30, 2013, which collectively comprise Denmark Technical College's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Denmark Technical College, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matter

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2013, on my consideration of Denmark Technical College's internal control over financial reporting and on

my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denmark Technical College's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, and the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

V. R. McConnell

November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Denmark Technical College, we offer readers of the college's financial statements this narrative overview and analysis of the financial activities of the college for the fiscal year ended June 30, 2013. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The college's financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

Financial Highlights

- The assets of Denmark Technical College exceeded its liabilities at June 30, 2013 by \$10,001,245. Of this amount, \$5,608,360 may be used to meet the college's ongoing obligations from unrestricted activities.
- The college's net assets increased by \$354,042 a net result of approximately \$0.8 million increase in assets and a decrease in liabilities of approximately \$0.4 million. The decrease in total assets was the net difference between increases in cash of approximately \$1,893,503. Accounts receivable decreased by approximately \$880,281. The college collected on outstanding Federal Department of Education receivables from the prior year, which made up most of the decrease in accounts receivable. The college received interest income in excess of \$860 from investment of cash into a certificate of deposit during the year.
- Appropriations from the State increased by approximately \$237,376.
- Funding from Federal sources increased during the year by approximately \$4million. This increase was primarily from two sources. Pell grants to students from the U. S. Department of Education decreased by approximately \$0.4 million.
- The college did not have outstanding debt during the fiscal year.

Overview of the Financial Statements

The college is engaged only in Business-Type Activities (BTA) that is financed in part by fees charged to students for educational purposes. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the college's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the college's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net assets represent the difference between total assets and total liabilities and provide information, in part, concerning any amount available to be spent by the institution.

Net assets are divided into three major categories. The first, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the college. The next category, which is *restricted net assets*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The college did not have restricted net assets for the fiscal year just ended. The final category of net assets is *unrestricted*. These funds may be used to meet the college's ongoing obligations from unrestricted activities.

The following schedule is a condensed version of the college's assets, liabilities and net assets and is prepared from the Statement of Net Assets.

Condensed Summary of Net Assets				
As of June 30, 2013 and 2012				
(in millions)				
	2013	2012	Increase (Decrease)	
Current Assets	\$ 7.1	\$ 6.1	\$	1.0
Non-current Assets:				
Capital Assets, Net of Accumulated Depreciation	4.4	4.6		(0.2)
Total Assets	11.5	10.7		0.8
Current Liabilities	1.1	1.1		-
Non-current Liabilities	0.4	0.4		-
Total Liabilities	1.5	1.5		-
Net Assets:				
Investment in Capital Assets	4.4	4.6		(0.2)
Unrestricted	5.6	5.0		0.6
Total Net Assets	\$ 10.0	\$ 9.6	\$	0.4

Net assets may serve over time as a useful indicator of an entity's financial health. Assets exceed liabilities by \$10.0 million, an increase of approximately \$0.4 million over the prior fiscal year. Analysis of revenues and expenses for the fiscal year provide details of the increase.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, investments, accounts receivable net of allowances, prepaid expenses and inventories. Current assets exceed current liabilities by a ratio of approximately 5 to 1. This shows ample liquidity to satisfy liabilities and results in a healthy financial condition for the college.

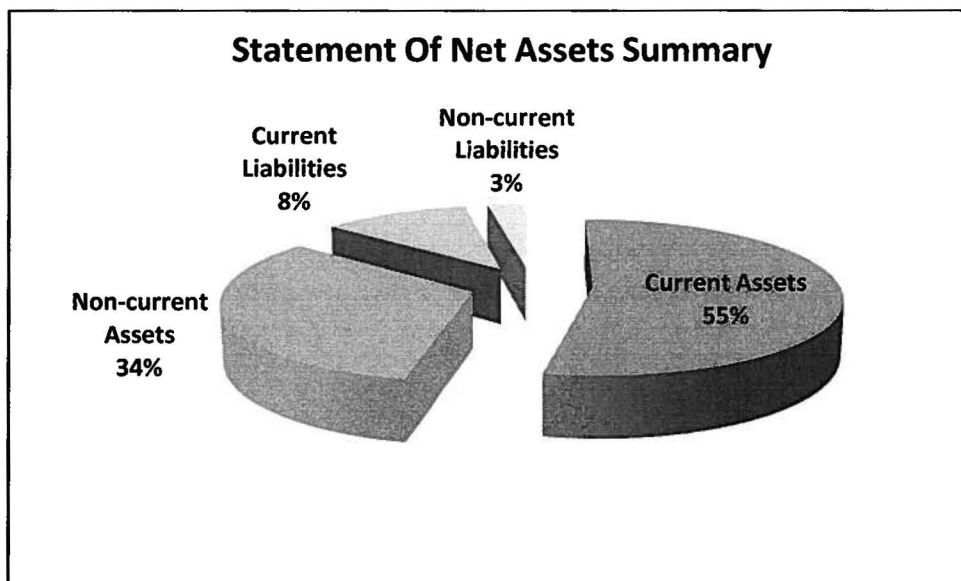
Current assets increased by a net of \$0.8 million, cash and cash equivalents were \$3,951,528, a net increase of \$1,893,503 from the prior fiscal year.

Capital Assets and Debt Administration

The college's investment in capital assets (land, buildings, machinery and equipment) reflects approximately \$4.4 million for the fiscal year. Depreciation on assets exceeded the amount of capitalized items during the year, thereby causing a decrease in net assets. The college does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities decreased. This is primarily due to a decrease in current liabilities in the approximate amount of \$0.4 million. Non-current liabilities, which is made up totally of the long term portion of compensated absences, increased by approximately \$5,134 over the prior year.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year in categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the college; however, the college depends heavily on financial support from the state. This support is reflected as non-operating revenue based on governmental accounting standards; therefore, the college will always show an operating deficit and its dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and usually result in an overall increase in net assets for the year. In past years, Higher Education institutions have treated Pell Grants to students as operating grants. However, in accordance with GASB the State Comptroller General Office has revised its policy and is now requiring Pell grants to be reported as non-operating.

Operating Results

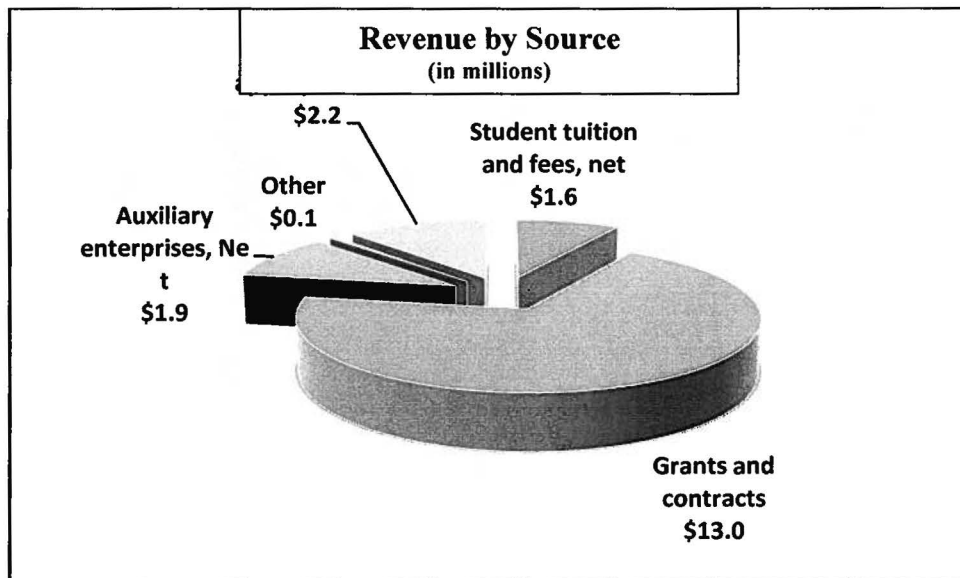
A summary of the college's operating results for the fiscal year is presented below.

Operating Results for the Fiscal Year Ended June 30, 2013 and June 30, 2012 (in millions)			
REVENUES	2013	2012	Increase (Decrease)
Operating Revenues:			
Student tuition and fees, net	1.6	1.7	(0.1)
Grants and contracts	13.0	10.4	2.6
Auxiliary enterprises, Net	1.9	1.8	0.1
Other	0.1	0.1	0.0
	16.6	14.0	2.6
Less Operating Expenses	19.5	24.0	(4.5)
Net Operating Loss	(2.9)	(10.0)	7.1
Non-operating Revenue:			
State appropriations	2.2	2.2	0.0
Grants and contracts	0.2	8.7	(8.5)
Other	0.8	0.0	0.8
Total Non-operating Revenue	3.2	10.9	(7.7)
Increase in net assets	0.3	0.9	(0.6)
Net assets, beginning of year	9.7	8.8	0.9
Net assets, end of year	10.0	9.7	0.3
Total Revenue	19.8	24.9	(5.1)

Revenue

Total revenue for June 30, 2013 increased more than \$2,660,446 from the prior fiscal year. An increase occurred in state funding approximately \$237,376 and county funding decreased by \$4,000 during the fiscal year. Increases occurred in Federal grants revenue that includes Pell and NNSA, and were offset by decreases in Title III revenue during the year.

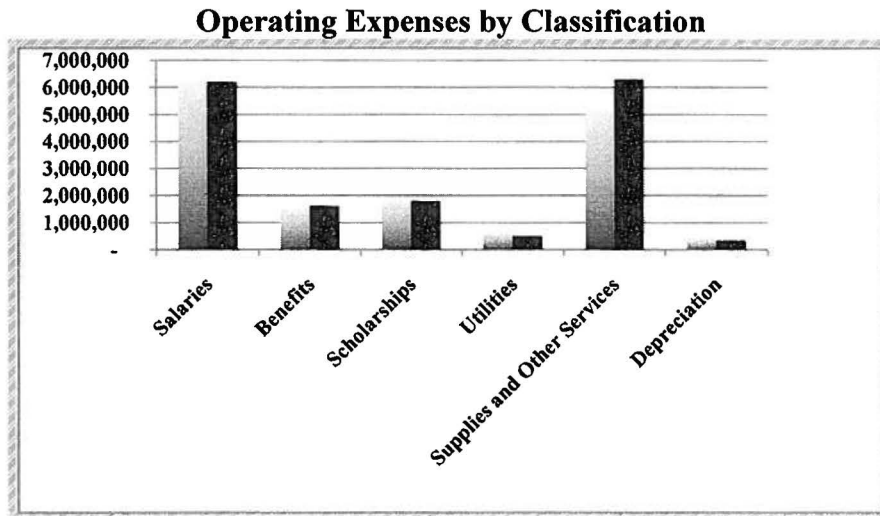
Sources of revenue and corresponding amounts are shown in millions in the following chart.



Expenses

Operating expenses for the fiscal year total \$19.5 million, down by \$4.5 million over the prior fiscal year. The most significant change occurred in the contractual area of Supplies and Other Services.

A comparison of operating expenses by classification may be found in the following chart.



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net loss of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and identifies the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section expresses cash flows from capital and related financing activities and highlights the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Cash increased by approximately \$1.9 million from last year.

Economic Factors

The economic condition of the college is dependent to a large degree on that of the state and local governments. The current recession has impacted the college through reductions in state funding for current operations. The college receives approximately 19 percent of its total revenue from state sources. The college received \$1,500 from county sources during the fiscal year, which is \$4,000 less than the \$5,500 received in the prior fiscal year.

DENMARK TECHNICAL COLLEGE
Statement of Net Assets
Year Ended June 30, 2013

ASSETS

Cash and Cash Equivalents	\$ 3,951,528
Investments	874,004
Accounts Receivable, Net	2,036,408
Inventories	232,094
Total Current Assets	7,094,034

Restricted Student Loans Receivable	24,663
Capital Assets, Net of Accumulated Depreciation	4,392,885
Total Non-current Assets	4,417,548

Total Assets	11,511,582
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LIABILITIES

Accounts payable	6,605
Accrued payroll and related liabilities	181,497
Deferred revenue and deposits	504,399
Funds held for others	309,012
Compensated absences payable, current portion	48,715
Federal liability	25,061
Total Current Liabilities	1,075,289

Compensated absences payable, long term portion	435,048
Total Non-current Liabilities	435,048

Total Liabilities	1,510,337
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NET ASSETS

Invested in Capital Assets	4,392,885
Unrestricted	5,608,361
Total Net Assets	\$ 10,001,245

The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ending June 30, 2013

REVENUES

Operating Revenue:	
Student tuition and fees (net of scholarship allowances of \$3,317,560)	\$ 1,606,088
Federal Grants and Contracts	12,570,387
State Grants and Contracts	333,866
Other Grants and Contracts	46,053
Auxiliary Enterprises (net of scholarship allowances of \$405,483)	1,875,709
Other revenues	169,850

Total Operating Revenue	16,601,953
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EXPENSES

Operating Expenses:	
Salaries	6,451,884
Employee benefits	1,799,950
Scholarships	5,271,711
Utilities	579,141
Supplies and other services	4,993,336
Depreciation	419,046

Total Operating Expenses	19,515,068
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OPERATING INCOME (LOSS)	(2,913,115)
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NONOPERATING REVENUES (EXPENSES)

State appropriations	2,245,500
County appropriations	1,500
Interest income	860
State and local grants and contracts	200,820
Capital appropriations	429,451
Student capital fees (net of scholarship allowances of \$482,623)	389,026

Total Nonoperating Revenues (Expenses)	3,267,157
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Increase(decrease) in Net Assets	354,042
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Net Assets Beginning of Year	9,251,628
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Prior period adjustment	395,575
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Net Assets Beginning of Year, as Restated	9,647,203
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Net Assets End of Year	\$ 10,001,245
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE**Statement of Cash Flows****Year Ended June 30, 2013****CASH FLOWS FROM OPERATING ACTIVITIES**

Student Tuition and Fees (Net of Scholarship Allowances)	\$ 1,539,847
Federal, State and Local Grants and Contracts	14,055,244
Auxiliary Enterprise Charges (Net of Scholarship Allowances)	1,875,709
Sales and Services of Educational Departments	-
Other Receipts	169,850
Payments to Vendors	(12,710,333)
Payments to Employees	(6,286,590)
Net Cash Used by Operating Activities	<u>(1,356,273)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	2,158,932
County Appropriations	1,500
Other non-operating revenue	-
Funds Held for Others	259,689
Non-operating Federal, State and Local Grants and Contracts	192,312
Net Cash Provided by Noncapital Financing Activities	<u>2,612,433</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Appropriations	429,451
Student Capital Fees (Net of Scholarship Allowances)	389,026
Purchase of Capital Assets	(181,556)
Net Cash Provided by Capital and Related Financing Activities	<u>636,921</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(438)
Proceed from sales and maturities of Investments	-
Interest on Investments	860
Net Cash Provided by Investing Activities	<u>422</u>

Net Increase (Decrease) in Cash	1,893,503
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Cash - Beginning of Year	2,058,025
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Cash - End of Year	<u>\$ 3,951,528</u>
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Reconciliation of Net Operating Revenues (Expenses) to Net Cash

Used by Operating Activities	
Operating Expenses Over Revenue	\$ (2,913,115)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	419,046
Change in Assets and Liabilities:	
Receivables, Net	975,356
Inventories	52,132
Prepaid Expenses	-
Accounts Payable	(85,309)
Accrued Payroll and Related Liabilities	114,310
Deferred Revenue and Deposits	30,323
Compensated Absences	50,984

Net Cash Used by Operating Activities	<u>\$ (1,356,273)</u>
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations:

Denmark Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Allendale, Bamberg, and Barnwell counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity:

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Denmark Technical College, as the primary government. Denmark Technical College has determined that it is not a component of another entity, and it has no component units. The College is part of the primary government of the State of South Carolina.

C. Financial Statements:

The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. Basis of Accounting:

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

F. Investments:

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds." *GASB Statement No. 40, Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The college accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations, and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

J. Deferred Revenues and Deposits:

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned. Total deferred revenues at June 30, 2013 amounted to \$504,399.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Student deposits at June 30, 2013 totaled \$309,012.

K. Compensated Absences:

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

L. Net Assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

O. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

P. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates inherent in the preparation of financial statements include estimates of the allowance for uncollectible accounts and useful lives of depreciable assets.

NOTE 2 - STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2013.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$ 2,245,500</u>
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Total non-capital appropriations recorded as current year revenue	<u>\$ 2,245,500</u>
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CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	<u>\$429,451</u>
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Total capital appropriations recorded as current year revenue	<u>\$429,451</u>
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NOTE 3—CASH, DEPOSITS, AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that the college will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College's policy concerning credit risk permits the College President to invest surplus funds in approved financial institutions' investment accounts. The College has contracted with a local financial institution to collateralize all deposits in excess of federally insured amounts with securities held in the College's name.

The cash and cash equivalent deposits of \$3,951,528 for Denmark Technical College at June 30, 2013, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College's custodial bank in the College's name.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Denmark Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the college is not exposed to this risk.

The College is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized repurchase agreements. The college had no investment activity during the year ended June 30, 2013.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investment at June 30, 2013 consisted of a collateralized bank certificate of deposit of \$874,004 yielding 1.5 % maturing February 10, 2013. Subsequent to year end, this Certificate and the accumulated earnings were reinvested for 6 months yielding 1.2%.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the college will not be able to recover the investment's value or collateral securities that are in the possession of the outside party. The College does not have a formally adopted policy on custodial credit risk.

The College's investment in a bank collateralized certificate of deposit at June 30, 2013 was held by the College. The College recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The College does not have a formally adopted policy on credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formally adopted policy on concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The College does not have a formally adopted policy concerning interest rate risk.

Foreign Currency Risk

The College does not maintain deposits that are denominated in a currency other than the United States dollar, therefore the College is not exposed to this risk.

The following schedule reconciles cash and investments reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

DENMARK TECHNICAL COLLEGE**Notes to the Financial Statements****June 30, 2013****Statement of Net Assets:**

Cash and Cash Equivalents	\$ 3,951,528
Investments	874,004
Restricted Cash and Cash Equivalents	<u>-</u>
Total Statement of Net Assets:	<u>\$ 4,825,532</u>

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not Held by State Treasurer	\$ 3,951,528
Investment not held by State Treasurer	<u>874,004</u>
Total Disclosure, Cash, Deposits and Investments	<u>\$ 4,825,532</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 508,844
Other Accounts	-
Due from Federal and Other Grantors	<u>1,610,889</u>
Gross Receivables	<u>2,119,733</u>
Less: Allowance for Uncollectibles:	
Student Accounts	<u>(83,325)</u>
Total Allowances for Uncollectibles	<u>(83,325)</u>
Receivables, net	<u>\$ 2,036,408</u>

Net Noncurrent Receivables:

Loans and Loans–Restricted	<u>\$ 24,663</u>
Total Noncurrent Receivables, net	<u>\$ 24,663</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2013, the allowance for uncollectible student accounts is valued at \$83,325.

NOTE 5—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2013. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as long-term loans receivable. As the College determines that loans are uncollectible, the loans are written off and assigned to the US Dept. of Education.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 6—CAPITAL ASSETS

	Beginning Balance 7/1/2012	Increases	Decreases	Ending Balance 6/30/2013
Capital Assets not being depreciated				
Land and improvements	\$ 174,020			\$ 174,020
Construction in Progress	-	-	-	-
	<u>174,020</u>	<u>-</u>	<u>-</u>	<u>174,020</u>
Other Capital Assets:				
Building and improvements	7,997,123	-	-	7,997,123
Machinery, Equipment and other	2,806,627	181,556	-	2,988,183
Vehicles	641,050	-	(65,986)	575,064
Intangibles	151,286	-	-	151,286
Total Other Capital Assets at Historical Cost	<u>11,596,086</u>	<u>181,556</u>	<u>(65,986)</u>	<u>11,711,656</u>
Less Accumulated Depreciation for:				
Building and Improvements	4,093,092	142,847	-	4,235,939
Machinery, Equipment and Other	2,280,436	268,571	-	2,549,007
Vehicles	614,917	7,628	(65,986)	556,559
Intangibles	151,286	-	-	151,286
Total Accumulated Depreciation	<u>7,139,731</u>	<u>419,046</u>	<u>(65,986)</u>	<u>7,492,791</u>
Other Capital Assets, Net	<u>4,456,355</u>	<u>(237,490)</u>	<u>-</u>	<u>4,218,865</u>
Capital Assets, Net	<u>\$ 4,630,375</u>	<u>\$ (237,490)</u>	<u>\$ -</u>	<u>\$ 4,392,885</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 7—PENSION PLAN(S)

The majority of employees of the Denmark Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service.

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2013

NOTE 7—PENSION PLAN(S) continued

An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death benefit. Denmark Tech's actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$477,260, \$447,578, and \$449,635, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2013, 9.385% for 2012 and 9.24% for 2011. Also, Denmark Tech paid employer incidental death program contributions of approximately \$6,851, \$6,467 and \$7,299 at the rate of .15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2013

NOTE 7—PENSION PLAN(S) continued

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, .20% for the incidental death program, .20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Denmark Tech's actual contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were approximately \$24,879, \$14,234 and \$21,611 respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 11.90% for 2013, 11.363% for 2012 and 11.13% for 2011. The College also paid employer incidental death program contributions of approximately \$418, \$251 and \$388, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively. In addition, the College paid accidental death program contributions of approximately \$418, \$251, and \$388, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS. For fiscal year 2013, total contributions requirements to the ORP were approximately \$10,883 (excluding the surcharge) from Denmark Tech as employer and approximately \$13,978 from its employees as plan members.

DENMARK TECHNICAL COLLEGE

Notes to the Financial Statements

June 30, 2013

NOTE 7—PENSION PLAN(S) continued

The amounts paid by the College for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the College's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the College recognizes no contingent liability for unfunded costs associated with participation in the plans.

NOTE 8—POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Agency contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

DENMARK TECHNICAL COLLEGE**Notes to the Financial Statements****June 30, 2013****NOTE 9—CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2013, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

NOTE 10—LEASE OBLIGATIONS**Operating Leases**

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Operating lease payments during the fiscal year ended June 30, 2013, totaled \$14,917 to other State agencies, and \$143,162 to external parties.

<u>Year Ended June 30,</u>	<u>Operating Leases with other State agencies and blended component units</u>	<u>Operating Leases with discretely presented component units</u>	<u>Operating Leases with External Parties</u>
2014	\$ -	\$ -	\$ 106,715
2015	\$ -	\$ -	\$ 97,637
2016	\$ -	\$ -	\$ 97,637
2017	\$ -	\$ -	\$ 97,637
2018	\$ -	\$ -	\$ 71,827
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,453</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	July 1, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Accrued Compensated Absences	\$434,864	\$ 80,084	\$ 31,185	\$483,763	\$48,715
Total Long-Term Liabilities	\$434,864	\$ 80,084	\$ 31,185	\$483,763	\$48,715

NOTE 12 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Management reviewed its relationship with Denmark Technical College Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB 39. The College excluded this organization from the reporting entity because it is not financially accountable for it, and the Foundation's assets are not significant to the college's overall assets.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2013

The Denmark Technical College Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

During the year ended June 30, 2013, the Foundation was inactive and there were no transactions between the College and the Foundation.

NOTE 13 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits
-

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 13 – RISK MANAGEMENT (continued)

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially. The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 14—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2013, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 2,425,540	\$ 849,334			\$ 1,571,581		\$ 4,846,455
Academic Support	1,221,351	212,402			69,606		1,503,359
Student Services	827,339	196,441			243,435		1,267,215
Operation and Maintenance of Plant	655,836	169,937		447,520	1,248,137		2,521,430
Institutional Support	883,429	301,652			700,682		1,885,763
Scholarships			5,271,711				5,271,711
Auxiliary Enterprises	438,389	70,184		131,621	1,159,895		1,800,089
Depreciation	-	-	-	-	-	419,046	419,046
Total Operating Expenses	<u>\$ 6,451,884</u>	<u>\$1,799,950</u>	<u>\$ 5,271,711</u>	<u>\$ 579,141</u>	<u>\$ 4,993,336</u>	<u>\$ 419,046</u>	<u>\$19,516,069</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 15- STATEMENT OF ACTIVITIES

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 16,601,953	\$ 13,941,507	\$ 2,660,446
Operating Grants	391,386	71,439	319,947
Less expenses	<u>(19,515,068)</u>	<u>(24,047,238)</u>	<u>(4,532,170)</u>
Net program revenue (expense)	(2,521,731)	(10,034,292)	(7,512,562)
Transfers:			
State appropriations	2,674,951	2,214,908	460,043
Fed Grants & Contracts	<u>200,820</u>	<u>8,675,957</u>	<u>(8,475,137)</u>
Total Gen Rev & Transfers	<u>2,875,771</u>	<u>10,890,865</u>	<u>(8,015,094)</u>
Change in Net Assets	354,042	856,573	(502,531)
Net Assets Beginning of Year, as Restated	<u>9,647,203</u>	<u>8,790,630</u>	<u>856,573</u>
Net Assets End of Year	\$ <u>10,001,245</u>	\$ <u>9,647,203</u>	\$ <u>(354,042)</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2013

NOTE 16 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 17 – PRIOR PERIOD ADJUSTMENT

During the year, the College discovered that the prior period accounts payable balance included items that had already been paid. As a result, the prior year accounts payable balance was overstated by \$395,576, and the unrestricted net assets balance was understated by a similar amount.

DENMARK TECHNICAL COLLEGE
Schedule of Expenditures of Federal Awards
As of June 30, 2013

<u>Federal Grantor/Program Title/Grant Title</u>	<u>CFDA Number</u>	<u>Grant/Contract/ FAR Number</u>	<u>Expenditures for 12/13 FY</u>
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007	2012-2013	\$ 105,747
Federal Work Study Program (FWS)	84.003	2012-2013	219,553
Federal Pell Grant Program (Pell)	84.063	2012-2013	8,337,895
Total Student Financial Assistance Cluster			8,663,195
HIGHER EDUCATION INSTITUTIONAL AID			
Title III - Strengthening Institutions	84.031B	2009-2010	8,305
Title III - Strengthening Institutions	84.031B	2010-2011	5,038
Title III - Strengthening Institutions	84.031B	2011-2012	768,546
Title III - Strengthening Institutions	84.031B	2012-2013	982,605
Title III - Strengthening Institutions Supplement	84.031B	2012-2013	3,844
Title III - SAFRA	84.031B	2010-2011	34,834
Title III - SAFRA	84.031B	2011-2012	487,039
Title III - SAFRA	84.031B	2012-2013	497,564
Total Higher Education Institutional Aid			2,787,775
PASSED THROUGH THE SOUTH CAROLINA DEPARTMENT OF EDUCATION			
Vocational Education - Basic Grants to States (Perkins V)	84.048	2012-2013	80,354
Total Vocational Education			80,354
TOTAL U.S. DEPARTMENT OF EDUCATION			11,531,324
U.S. DEPARTMENT OF ENERGY			
NNSA Minority Serving Institutions Program	81.123	2011-2012	80,354
Department of Energy Environmental Management	81.104	2011-2012	114,412
Department of Energy Environmental Management	81.104	2012-2013	639,753
Total U.S. Department of Energy			834,519
National Science Foundation			
NSF: Creating Pathways for High School Minorities to Community College STEM Programs	47.076	2012-2013	10,959
Total National Science Foundation			10,959
NATIONAL AERONAUTICS SPACE ADMINISTRATION			
<u>Pass through College of Charleston</u>			
SCJOVE	43.008	2012-2013	16,234
TOTAL NATIONAL AERONAUTICS SPACE ADMINISTRATION			16,234
U. S. DEPARTMENT OF LABOR			
<u>Pass through Florence Darlington Technical College</u>			
ASSIST	17.282	2011-2012	35,355
ASSIST	17.282	2012-2013	138,271
TOTAL U.S. DEPARTMENT OF LABOR			173,626
U.S. DEPARTMENT OF COMMERCE			
<u>Pass through the SC Department of Commerce</u>			
Broadband Technology Opportunities Program (BTOP)	11.557	2010-2011	204,545
TOTAL U.S. DEPARTMENT OF COMMERCE			204,545
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 12,771,207

DENMARK TECHNICAL COLLEGE
Schedule of Expenditures of Federal Awards
As of June 30, 2013

NOTES:

Significant Accounting Policies - This schedule was prepared on the accrual basis of accounting. Revenue is recognized only to the extent expenditures are incurred during the fiscal year.

Student Loans - Guaranteed student loans in the amount of \$6,989,136 were distributed to students during the 2013 fiscal year. The balance of the Perkins Loans receivable at June 30, 2013 was \$24,663.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Area Commission
Denmark Technical College Area
Denmark, South Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Denmark Technical College, Denmark, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Denmark Technical College's basic financial statements and have issued my report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Denmark Technical College, Denmark, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina's internal control. Accordingly, I do not express an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina's internal control.

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. 2013-1 and 2013-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denmark Technical College, Denmark, South Carolina's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-3.

Denmark Technical College, Denmark, South Carolina's Response to Findings

Denmark Technical College, Denmark, South Carolina's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Denmark Technical College, Denmark, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 15, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Area Commission
Denmark Technical College
Denmark, South Carolina

Report on Compliance for Each Major Federal Program

I have audited Denmark Technical College, Denmark, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Denmark Technical College, Denmark, South Carolina's major federal programs for the year ended June 30, 2013. Denmark Technical College, Denmark, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Denmark Technical College, Denmark, South Carolina's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denmark Technical College, Denmark, South Carolina's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Denmark Technical College, Denmark, South Carolina's compliance.

Opinion on Each Major Federal Program

In my opinion, Denmark Technical College, Denmark, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-3. My opinion on each major federal program is not modified with respect to these matters.

Denmark Technical College, Denmark, South Carolina's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Denmark Technical College, Denmark, South Carolina's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of Denmark Technical College, Denmark, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Denmark Technical College, Denmark, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Denmark Technical College, Denmark, South Carolina's internal control over compliance.

A **deficiency in internal control over compliance** exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A **material weakness in internal control over compliance** is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A **significant deficiency in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



November 15, 2012

DENMARK TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE 3

1. SUMMARY OF AUDITOR'S RESULTS:

(a) Type of report issued on financial statements	Unqualified
(b) Reportable material weakness in internal control over financial reporting	None
(c) Reportable significant deficiencies in internal control over financial reporting	2
(d) Noncompliance material to the financial statements	None
(e) Material weakness in internal control over major programs	None
(f) Significant deficiencies considered to be material weakness in internal control over major programs	None
(g) Report on compliance with each major program and internal control	Unqualified
(h) Audit findings required to be reported under paragraph .510(a) OMB Circular A-133	1
(i) Identification of Major Programs:	
Student Financial Assistance Cluster (84.007, 84.003, 84.063)	
Title III - Strengthening Institutions (84.031B)	
NNSA Minority Environmental Management (81.502)	
Department of Energy Environmental Management (81.104)	
(i) Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
(j) Denmark Technical College did not qualify to be a low-risk auditee.	

2. FINDINGS RELATING TO THE FINANCIAL STATEMENTS

<u>Reference</u>	<u>Description</u>
2013-1	<p>Delayed Financial Statements</p> <p>Condition – The draft financial statements were not submitted to the auditor until October 17, 2013.</p> <p>Criteria-Audited financial statements are required to be issued by September 30 each year.</p> <p>Cause –The College purchased new software, SYNOPTIX, to help facilitate preparing the financial statements this year. The staff received training on the new software; but populating the new software was very time consuming and cross-checking all entries for the first time. Additionally the cash flow statement had to be entered manually.</p> <p>Effect – Financial statements were not issued when required.</p> <p>Recommendation – It is recommended that the College evaluate the process used to complete and prepare the financial statements; and revise the schedule to complete the statements by September first each year.</p> <p>Response and Corrective Action Plan – The Management agrees. In an effort to address this issue, management will reevaluate its year-end closing process and make necessary changes.</p> <p>Auditor's Response – Auditor concurs.</p>
2013-2	<p>Reconciliation of Accounts Payable Balances</p> <p>Condition – Accounts payable balances totaling \$395,576 dating back to 2009 were recorded in the accounting records when these liabilities had already been paid.</p> <p>Criteria – Account balances should be reconciled on a monthly basis, and unusual items should be investigated and resolved.</p> <p>Cause- The Datatel System was not properly set-up.</p> <p>Effect – A prior period adjustment was necessary to adjust the accounts payable balance.</p>

Recommendation – It is recommended that the accounts payable balances be reconciled on a monthly basis. Additionally, Management should evaluate the accounts payable module in the Datatel System for proper functionality.

Response and Corrective Action Plan – Management agrees. The Accounts Payable module will be evaluated and changes will be made as necessary. This process will be monitored to ensure that the corrective actions meet the objectives.

Auditor's Response – Auditor Concurs.

3. FINDINGS RELATING TO COMPLAINT

2013-3 Submission of the Data Collection Form and Reporting Package

Condition – The data collection form and reporting package was not received at the Federal Audit Clearinghouse until January 8, 2013 for the June 30, 2011 financial statement audit.

Criteria – OMB Circular A-133 requires the data collection form and reporting package to be submitted to the Federal Audit Clearinghouse within 9 months of year end.

Cause – Management was not aware that the data collection report had not been submitted for 2010- 2011.

Effect – The College was not in compliance with the requirements of OMB Circular A-133.

Recommendation – I recommend the individuals responsible for the financial statements monitor and ensure that the required reports are filed in a timely manner.

Response and Corrective Action Plan – Management agrees. The VP for Finance had just returned to the College and his email had not been updated on the Clearing House mailing list. However, follow-up on the submission of the 2010-2011 report was done once it came to my attention. Additionally, the 2011-2012 information was submitted timely. In the future, this report will be scheduled for processing immediately after completion of the audit and upon the auditor's certification of the data. Management will monitor and ensure that Data Collection Report is submitted timely.

Auditor's Response – The Auditor concurs.

**DENMARK TECHNICAL COLLEGE
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE 2

<u>Reference</u>	<u>Description</u>
None	

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE LOTTERY TUITION ASSISTANCE

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

As a part of my examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2013, I reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

I reviewed the individual files maintained in the financial aid office of each applicant selected to determine that they contained all necessary information and documentation to determine eligibility. I also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell grants, FSEOG, SC Need-Based grants, and other applicable grants.

All students who applied for assistance under the Lottery Tuition Assistance Program were awarded financial aid. As a result, I did not select a sample of students deemed ineligible for the Lottery Tuition Assistance Program for purposes of determining that the students were granted the right to appeal the decision by submitting a written request to the institution's Director of Financial Aid, and determining that the students' requests were handled in accordance with the institution's financial aid procedures.

For students awarded aid under the Lottery Tuition Assistance Program, I traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the student's account.

The results of my tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

In my opinion the State Lottery Tuition Assistance Program has been administered in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the information and use of the Area Commissioners, management, others within the College, federal awarding agencies, and pass-through

entities and is not intended to be and should not be used by anyone other than these specified parties.

This report is intended solely for the use of management of the Denmark Technical College Area Commission and management of the State Board for Technical and Comprehensive Education and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "V. R. McConnell". The signature is written in a cursive style with a large, stylized "V" and "M".

November 15, 2013